Before the
Federal Communications Commission
Washington, D.C.

In the Matter of	)	
	)	
Implementation of Section 304 of the Telecommunications Act of 1996	)	CS Docket No. 97-80
	)	
	)	
Commercial Availability of Navigation Devices	)	
	)	

REPLY COMMENTS[1] OF SONY ELECTRONICS INC.

In April 2003, the Commission extended from January 1, 2005, to July 1, 2006, its deadline for cable operators to cease fielding customer premises navigation equipment (such as digital cable set top boxes) with integrated conditional access security functions.[2] The Commission also requested public comment on, among other factors, the economic impact and cost associated with this requirement. Parties commenting in this proceeding have discussed the cost of Point of Deployment ("POD") modules, now called CableCARD™ security modules,[3] as an important factor for the Commission to consider, while expressing differing opinions about what the cost of CableCARDs will be.[4]

In reply to these parties' comments, Sony Electronics Inc. ("Sony") wishes to provide the Commission with information about its Passage™ technology for digital cable system security and the potential effect of this technology on the cost and supply of CableCARDs. When deployed in digital cable systems, Sony's Passage technology permits cable operators to incorporate conditional access technology alternatives into their systems alongside their legacy

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[1] These reply comments are addressed with respect to the Commission's Further Notice of Proposed Rulemaking dated April 25, 2003 and comments filed with the Commission dated February 19, 2004. *In the Matter of Implementation of Section 304 of the Telecommunications Act of 1996, Commercial Availability of Navigation Device*, CS Docket No. 97-80, Order and Further Notice of Proposed Rulemaking ("O&FNPRM April 2003").

[2] O&FNPRM April 2003.

[3] CableCARDs, also known as Point of Deployment modules, are the technology developed by the cable industry at the Commission's direction, and subsequently standardized under the umbrella of the American National Standards Institute, to separate the conditional access functionality from digital cable navigation devices so as to enable portability between cable systems of navigation devices purchased at retail. Along with a digital cable tuner/demodulator, CableCARD compatibility is the defining feature of a digital cable ready product.

[4] Consumer Electronics Industry Comments (in response to O&FNPRM April 2003), CS Docket No. 97-80 (February 19, 2004) ("CE Industry Comments"), and National Cable and Telecommunications Association Comments (in response to O&FNPRM April 2003), CS Docket No. 97-80 (February 19, 2004).

conditional access technology, without interfering with their previously fielded legacy set top boxes or disrupting their existing customer support, billing, and other systems.[5] In recently completed field trials with Comcast, Sony demonstrated that the technology works in a wide variety of practical scenarios and can be integrated into virtually any digital cable system.[6] For the first time, cable operators have the possibility of a competitive choice of conditional access technologies. Sony and its growing number of technology licensees in the operation, head end equipment, integrated circuit, and set top box segments of the cable industry are working together enthusiastically toward deployment of Passsage on cable systems nationwide. To promote adoption, in fact, Sony is licensing passage on open terms that are royalty-free to cable operators and cable system equipment providers and low cost (well below $1 per unit, in volume) to suppliers of customer premise equipment such as set top boxes and CableCARDs.

Passage has the potential to dramatically alter the competitive market for conditional access technologies, and particularly, CableCARDs. This is significant because cable operators must procure CableCARDs in large quantities in order to be ready to supply them to customers who purchase retail digital cable ready televisions, set top boxes, and other devices, and also for use in cable operators' own set top boxes fielded after July 1, 2006. Without Passage, cable operators buying CableCARDs are dependent upon the incumbent provider of conditional access technology for each cable system. The large majority of digital cable systems in the United States use conditional access technology from one of two providers, Motorola and Scientific-Atlanta. These incumbents have held an enormous market advantage in supplying CableCARDs to cable operators (directly or through license to CableCARD vendors), because each cable system's legacy equipment has been locked into a single conditional access technology that is available only through the incumbent.

However, cable operators that choose to deploy Passage technology and alternative conditional access in their cable systems will gain the ability to purchase alternative CableCARDs from competing conditional access providers. Market competition in the supply of CableCARDs to cable operators should significantly reduce CableCARD costs. Sony does not have direct evidence of the price of CableCARDs with and without Passage-enabled market

[5] For a technical description of Passage and a current list of licensees, see http://www.sonypassage.com/index.htm.
[6] Matt Stump, "Sony Passes Comcast Test," *Multichannel News*, February 9, 2004.

competition. However, we note the sharp disparity in estimated costs to cable operators of CableCARDs and the POD-Host interface (the slot in the cable operator's set-top box into which the CableCARD is inserted) quoted for the record in this proceeding. On one hand, the National Cable and Telecommunications Association ("NCTA") cites estimates of $72-93 per unit based on data from Motorola and Scientific-Atlanta.[7] On the other hand, SCM Microsystems, a competing security card vendor with significant global market share, derives an estimate of $24 and anticipates that the cost would decline as volume increases in coming years.[8] Competition should significantly reduce the cost of CableCARDs, creating savings that would be passed on to consumers.

The Consumer Electronics Association and the Consumer Electronics Retailers Coalition, among others, have argued to the Commission that the July 2006 phase-out of integrated security in cable operators' own equipment—by ensuring that cable operators rely on the same CableCARDs that consumers must use with competitive retail devices—is essential to ensure that cable operators fully and reliably support CableCARDs and provide a level playing field for CableCARD-equipped competitive retail navigation devices.[9] NCTA, citing data from the incumbent conditional access suppliers as noted above, has replied that CableCARDs add significant expense to cable systems in comparison to integrated security, and has stated that these costs would be passed to cable subscribers. It is Sony's hope and expectation that Passage technology can help level this equation for the benefit of all parties, and ultimately, the consumer.

Respectfully submitted,

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[7] Report of the National Cable & Telecommunications Association Regarding the Significant Costs to Consumers Arising From the 2005 Ban on Integrated Set-Top Boxes, filed in CS Docket No. 97-80 (June 4, 2002).
[8] Letter from Robert S. Schwartz to Marlene H. Dortch, Office of the Secretary, FCC, and Declaration of Colas Overkott, CS Docket No. 97-80 (March 4, 2003).
[9] CE Industry Comments.